

4 Nov 2024

PV POWER (POW)

Earnings could stay resilient in 4Q24F

- NPAT skyrocketed of 765% yoy in 3Q24
- Earnings likely to see a modest yoy in 4Q24F
- Maintain the HOLD recommendation

Facts: NPAT skyrocketed of 765% yoy in 3Q24

POW's 3Q24 revenue sustained at VND6,061bn, +7% yoy (Figure 1), achieving 114% of KIS's forecast. Specifically:

- **Hydropower:** Production output swelled by 24% yoy to 399mn kWh (Figure 2) driven by Hua Na and Dak Drinh hydropower plants and hence, hydropower revenue rose by VND298bn, 38% yoy (Figure 1).
- **Coal-fired power:** Production output subsided 14% yoy to 800mn kWh (Figure 2), and revenue declined 26% yoy to VND1,461bn. EVN prioritized mobilization the cheap hydropower when there was a 45% yoy rise in water flow in 3Q24 and hence reduced the coal-fired (Figure 1).
- **Gas-fired power:** Production surged 34% yoy to 4,420mn kWh (Figure 2), thanks to (1) A0's decision to mobilize the gas-fired plants to stabilize the power system following the expiration of the BOT contract for Phu My 3 and the commencement of the overhaul for Phu My 2.2, and (2) the operating at full capacity of Ca Mau 1&2 and NT2 plants as opposed to the maintenance phase of the previous year.

Notably, NPAT skyrocketed 765% yoy to VND453bn (Figure 3, 4), beating KIS's forecast by 21%. Key contributing factors were (1) 3Q24 exchange rate gains VND227bn (3Q23 VND0.25bn); (2) absence of VND213bn financial expense recorded in 3Q23; and (3) a low-profit base, with 3Q23 recording VND52bn (Figure 4).

Pros & cons: Earnings likely to see a modest yoy in 4Q24F

In 4Q24F, POW's earnings could see a modest yoy rise due to:

- The average water flow at reservoirs in the Central region in October hiked 19% yoy, raising the capacity factor (CF) of POW's hydropower plants in 4Q24F (Figure 7).
- The gas-fired thermal groups gain advantages from the expiration of the BOT Phu My 3 contract, along with undergoing maintenance of the Phu My 1 and Phu My 2.1 expansions.
- In contrast, the pressure from costlier input material costs remains elevated, which could squeeze 4Q24F gross margin (GM) (Figure 5, 6).
- However, we believe POW's earnings could benefit from financial income arising from exchange rate gains in 4Q24F.

12M rating **HOLD**

12M TP
Up/Downside

Stock data

VNIndex (04 Nov, pt)	1,245
Stock price (04 Nov, VND)	11,450
Market cap (USD mn)	1,059
Shares outstanding (mn)	2,342
52-Week high/low (VND)	15,300/10,450
6M avg. daily turnover (USD mn)	5.54
Free float / Foreign ownership (%)	20.0/3.7
Major shareholders (%)	
PVN	79.74
PYN Elite Fund	2.51

Performance

	1M	6M	12M
Absolute (%)	(11.6)	4.6	3.2
Relative to VNIndex (%p)	(9.6)	1.2	(14.8)

Stock price



Source: Bloomberg

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Action: Maintain the HOLD recommendation

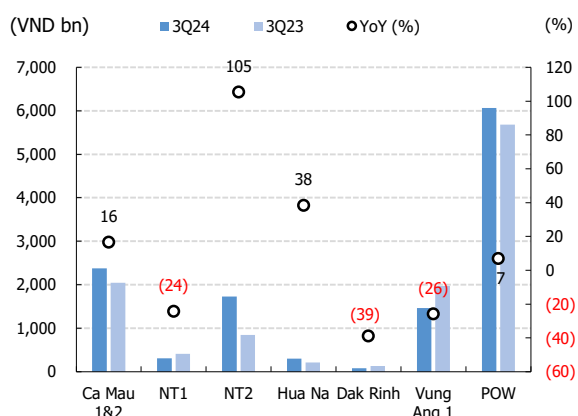
We also believe that POW could reap a positive outlook in the medium and long term, as it plays an important role in maintaining the system's stability. In addition to the launch of NT3 & NT4. However, in the short-term, we think that POW's market price has almost reflected its intrinsic value. Therefore, we maintain **HOLD**.

Table 1. Quarterly earnings snapshot in 3Q24

	3Q23	4Q23	1Q23	2Q24	3Q24	QoQ	YoY
Sales	5,679	6,411	6,243	9,382	6,061	(35)	7
OP	83	429	207	438	541	23	547
OP margin (%)	1.5	6.7	3.3	4.7	8.9	91	506
EBT	81	447	278	442	547	24	568
NPAT	52	445	216	441	453	3	765

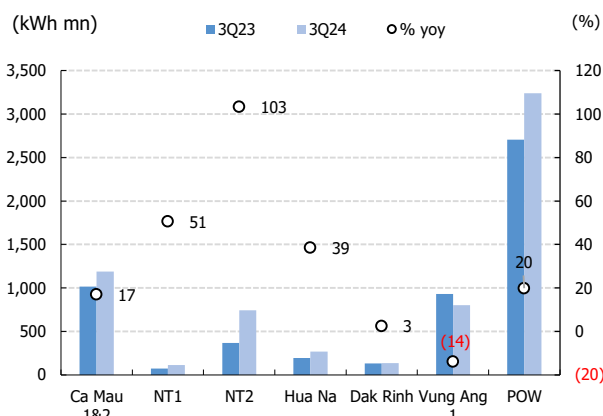
Source: FiinPro-X, Company data, KISVN

Figure 1. Revenue edged up (+7% yoy) VND6,061bn



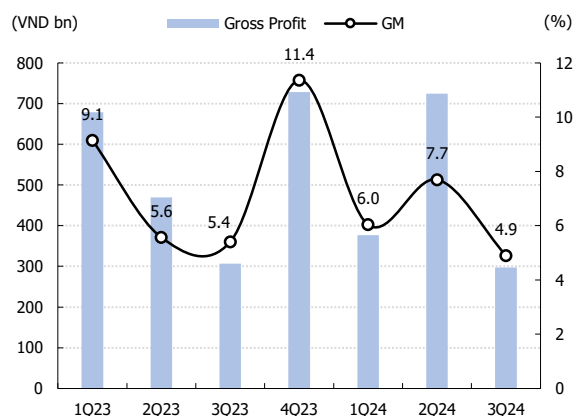
Source: Company data, KIS Research

Figure 2. Output 3Q24 expanded +20% yoy to 3,241mn kWh



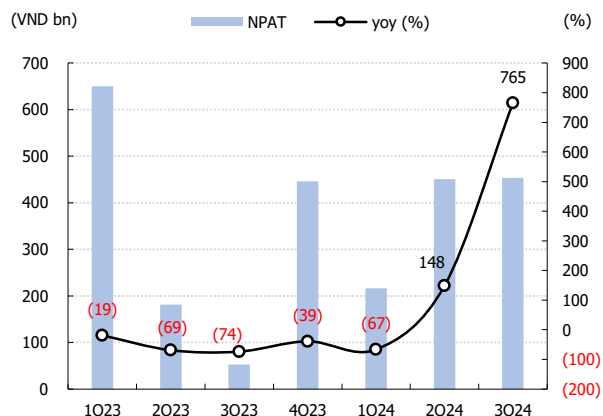
Source: Company data, KIS Research

Figure 3. GM inched down to 4.9% (-0.5%p yoy)



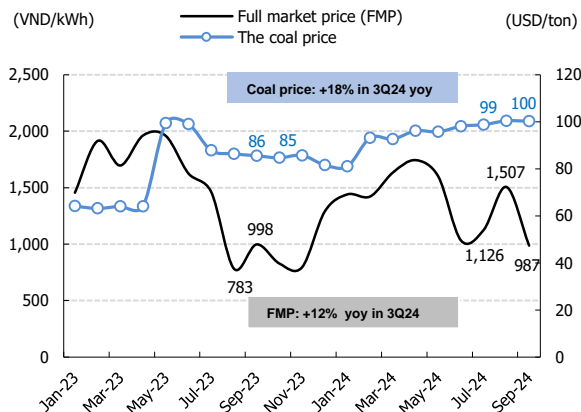
Source: Company data, KIS Research

Figure 4. NPAT surged to VND453bn, +765% yoy



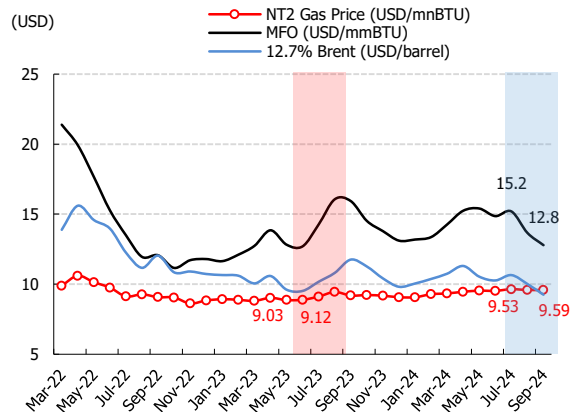
Source: Company data, KIS Research

Figure 5. The coal price could rise in 4Q24F



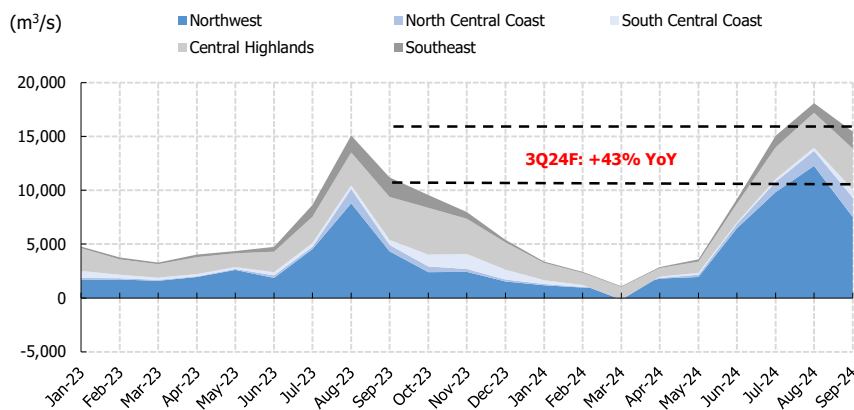
Source: Company data, KIS Research

Figure 6. The gas price could move up in 4Q24F due to the mobilization of more expensive gas input sources



Source: Company data, KIS Research

Figure 7. The water flow reservoirs across regions nationwide in 3Q24E improve significantly



Source: NOAA, KIS Research

■ Company overview

PetroVietNam Power Corporation (PV Power) was established in 2007 under Decision No.1468/QĐ-DKVN issued by Vietnam Oil and Gas Group. The Corporation has its main business in the generation, transmission, trading, import, and export of electricity. The Corporation has been put into operation under the model of a joint-stock company since July 2018.

Balance sheet VND bn

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
Current assets (Adj.)	24,925	29,152	30,629	28,051	27,373
Cash & cash equivalent	8,252	8,592	9,927	9,744	9,461
Non-current assets (Adj.)	12,538	14,641	14,641	12,412	12,052
Fixed Asset	2,086	2,168	2,270	2,133	2,142
Investment assets	16,673	20,560	20,702	18,307	17,912
Others	29,155	26,401	23,585	53,697	49,510
Total assets	878	958	958	958	958
Advances from customers	4	1	1	1	1
Unearned revenue	0	0	-	-	-
Trade payables	7,346	15,950	16,365	16,063	15,597
Others	5,340	4,810	4,935	4,844	4,704
ST debt & bond	5,635	5,500	22,364	21,670	20,550
LT debt & bond	3,382	7,179	7,179	11,251	7,831
Total liabilities	23,562	36,181	53,657	56,590	51,363
Controlling interest	30,516	31,452	32,026	32,997	33,226
Capital stock	23,419	23,419	23,419	23,419	23,419
Capital surplus	(0)	(0)	(0)	(0)	(0)
Other Reserves	3,678	4,074	4,074	4,074	4,074
Retained earnings	3,420	3,959	4,533	5,505	5,734
Shareholders' equity	2,765	2,714	2,714	2,714	2,714

Cash flow VND bn

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
C/F from operations	3,156	3,257	2,753	6,610	3,688
Net profit	2,809	1,459	673	1,139	269
Depreciation	2,809	2,809	2,816	4,188	4,188
Net incr. in W/C	5,456	5,101	3,753	6,235	5,340
C/F from investing	(3,374)	(6,258)	(20,531)	(7,923)	570
Capex	(2,600)	(6,054)	(21,512)	(8,514)	(11)
Incr. in investment	(774)	(204)	981	591	581
C/F from financing	245	3,321	16,864	3,378	(4,540)
Incr. in equity	-	82	-	-	-
Incr. in debts	-	3,604	16,864	(693)	(1,120)
Dividends	(199)	(365)	-	-	-
C/F from others	(0)	21	-	-	-
Increase in cash	28	340	(914)	2,065	(283)

Income statement VND bn

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
Net sales	28,224	27,945	28,672	28,142	27,326
COGS	24,498	25,761	26,973	25,348	25,450
Gross profit	3,726	2,183	1,698	2,794	1,876
SG&A	868	779	800	785	762
Operating profit	2,859	1,404	899	2,009	1,114
Financial income	445	550	566	591	581
Interest income	319	449	498	522	512
Financial expenses	592	680	830	1,499	1,464
Interest expenses	438	498	1,245	1,499	1,464
Other non-operating profit	44	147	-	-	-
Gains (Losses) in associates, subsidiaries and JV	53	38	38	38	38
Earnings before tax	2,809	1,459	673	1,139	269
Income taxes	256	129	60	101	24
Net profit	2,553	1,329	613	1,038	245
Net profit of controlling interest	2,061	1,075	613	1,038	245
EBITDA	6,061	4,767	4,734	6,826	5,921

Key financial data

FY-ending Dec.	2022A	2023F	2024F	2025F	2026F
per share data (VND, adj.)					
EPS	824	430	245	415	98
BPS	13,031	13,430	13,675	14,090	14,188
DPS	-	-	-	-	-
Growth (%)					
Sales growth	14.9	(1.0)	2.6	(1.8)	(2.9)
OP growth	19.1	(50.9)	(36.0)	123.5	(44.6)
NP growth	24.4	(47.9)	(53.9)	69.2	(76.4)
EPS growth	14.6	(47.8)	(43.0)	69.2	(76.4)
EBITDA growth	19.1	(50.9)	(36.0)	123.5	(44.6)
Profitability (%)					
OP margin	10.1	5.0	3.1	7.1	4.1
NP margin	9.0	4.8	2.1	3.7	0.9
EBITDA margin	10.1	5.0	3.1	7.1	4.1
ROA	4.6	2.1	0.8	1.1	0.3
ROE (excl MI)	7.0	3.5	1.9	3.2	0.7
Dividend yield	-	-	-	-	-
Dividend payout ratio	28	20	-	-	-
Stability					
Net debt (VND bn)	765	4,087	19,616	23,178	18,920
Net debt/equity (%)	2	12	56	65	53
Valuation (X)					
PE	11.1	19.8	44.3	26.2	111.0
PB	1.3	0.8	0.8	0.8	0.8
EV/EBITDA	9.4	22.0	37.9	16.9	30.6

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